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C O N F I D E N T I A L SECTION 01 OF 02 BOGOTA 000576

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DEPT PLA PASS USTR EEISSENSTAT AND BHARMON; WHA FOR A/AS
SHANNON; EB FOR A/S WAYNE

E.O. 12958: DECL: 01/20/2015
TAGS: ETRD ECIN EAGR CO FTA
SUBJECT: COLOMBIANS HOPE TO CLOSE USATPA NEGOTIATIONS ASAP

Classified By: Ambassador William B. Wood, reasons 1.4 (b) and (d)

¶1. (C) Summary: The Ambassador met with Trade Minister Botero and Chief Trade negotiator Gomez on January 20 to urge rapid Colombian movement toward agreement of a final text. Botero and Gomez indicated a clear determination to reach agreement, but more than any other time, indicated concern over the reaction of key sectors supporting Uribe in this election year. Botero laid out Colombia,s red lines (used clothing, liquor tax harmonization, sugar and rice TRQ,s and SPS) and explained their impact on key political constituencies, such as rice and sugar growers, coffee growers and cattle farmers. The Ambassador pressed the GOC to be more realistic in their expectations and not risk practical and workable solutions by pursuing unrealistic expectations. End Summary.

¶2. (C) The key non-agricultural issues raised were used clothing and liquor tax harmonization. Botero reiterated that while the GOC had flexibility on other non-agricultural issues, the GOC could not sign an agreement prior to the upcoming elections that included either item.

¶3. (C) Used clothing: if they agree to its import while Peru maintained a prohibition, it would be impossible to obtain congressional approval for the agreement. The GOC also cannot accept using WTO legal means to regulate the trade - it,s a prohibition or nothing.

¶4. (C) Liquor tax: Although the said they were prepared to advance on more equitable distribution, they could not harmonize the taxes, as they would face a rebellion among local governors. A previous reform took three years and despite an Andean ruling to change the tax, the Congress had refused to do so. Botero suggested challenging the tax at the WTO, not attacking directly through the agreement.

¶5. (C) On agriculture, the GOC accepted that nothing could be excluded, but would prefer a sugar for rice technical exclusion. The underscored a clear link between rice and sugar: they could trade off one group against the other domestically, but could not face the opposition of both. Their preference would be to seek more flexibility on rice (basically trading off the sugar sector for more protection of rice) because of its greater electoral impact. A Peru-size rice TRQ with little increase in sugar would doom the agreement in Congress.

¶6. (C) Rice: It was clear this was the GOC,s most sensitive issue. The GOC could accept a rice TRQ in the 40-45,000 MT range, but not one as large as Peru,s as Colombia has traditionally been more closed to rice than Peru. Moreover, rice is grown throughout the country and this has considerable Congressional importance. The GOC believes its rice would be competitive against US rice, save for US domestic supports. The Ambassador and Agatt countered strongly that if rice was so sensitive, there were WTO-consistent mechanisms that the GOC could use.

¶7. (C) Sugar: The GOC could contain the damage if they received a relatively small increase in the sugar quota, so long as they were able to export ethanol. Another option would be to broaden the country-specific quotas offered into an Andean quota that any of the three countries could fill, since Peru and Ecuador are not significant sugar exporters and regularly have their quotas re-allocated to others. Also, the quota the GOC provided for high fructose corn syrup would need to be proportionate to the access given by the US for sugar. The GOC is also concerned about the mechanism to administer the sugar quota; they prefer to maintain the current system using eligibility certificates rather than a first come, first serve methodology.

¶8. (C) Corn: The GOC needs some type of mechanism to assure that domestic production was purchased. The GOC was willing to explore WTO legal alternative mechanisms such as an auction system, but the GOC could not open the market and not have some way of ensuring a domestic market for the 400-500,000 MT produced locally.

¶9. (C) Coffee: Colombia can accept the CAFTA rules, but does not want to open the door to non-U.S. origin coffee from Asia. They have also offered a quota to take care of U.S.

roasters and distributors, including Starbucks. 500,000 families depend on coffee production in Colombia making the coffee federation a major electoral player. The GOC also wants some type of side agreement to strengthen trademark protection for Colombian coffee.

¶10. (C) SPS: Colombia persists on demanding a level of consultation that they don,t need. Embassy noted that Colombia has the best phyto-sanitary relationship with us in the hemisphere, thanks to the APHIS, Center of Excellence here. Embassy also recalled that they had rejected assistance - training and consultations - offered outside the treaty that could have already resolved a number of practical problems. We urged them to trim back their proposal for consultations to what they needed, and what we were likely to be able to give.

¶11. (SBU) Botero and Gomez said that Ecuador may fear an agreement, but fears being out of it even more. President Palacio is unpredictable on intellectual property, and seems unwilling to listen to practical arguments regarding data protection. The Colombians got the Ecuadorians to agree to a joint IP meeting to try to control them, but if Ecuador refuses to move forward, Colombia will do so without them.

¶12. (C) Comment. This was the first meeting with Botero and Gomez in almost two years of negotiations where they focused on the political element. The Colombians want to close, and this is the closest they have ever come to spelling out their bottom line. The political calculus presented by Botero is on the mark. The GOC needs key sectors -- cattlemen, rice and sugar growers, textile manufacturers -- to pass this agreement and to advance in an electoral year. They want the deal and have crafted a path they believe gives the US improved access to important sectors while also providing them political cover and support. They are willing to offer the U.S. agricultural access equal to the Peru agreement, as long as some fine tuning is possible to reflect the different reality in Colombia. If we push beyond the red lines listed, we risk harming our strongest ally in a region in turmoil. We also risk losing a USD 5 billion export market that is growing by 20 percent a year to Mercosur, who has a limited FTA with Colombia that affects our key export products. End Comment.

WOOD